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TRS Plan 1: Summary of Selected Benefits

Eligible for Retirement	<p>You are eligible to retire if you:</p> <ul style="list-style-type: none">■ Have at least 30 service credit years regardless of age,■ Are at least age 55 and have at least 25 service credit years, or■ Are age 60 or older and have at least five service credit years. <p>See page 8.</p>
How Service Credit is Accumulated	<p>You earn a full year of service credit if you receive compensation for at least four-fifths — 144 fulltime days — of the 180-day school year, provided that contributions have been made to TRS. You may earn a fractional year's service credit for working less than four-fifths of a fiscal year. See page 5.</p>
Service Credit for Military Time	<p>You can receive credit for up to five years of active service in the United States military if it interrupted your Washington State public school service. If the military service occurred in time of war, you can receive credit for more than five years. See page 6.</p>
Average Final Compensation or AFC	<p>Your average final compensation, add the earnable compensation for your two consecutive highest-paid fiscal years, and then divide by two. See page 10.</p>
Benefit Formula	<p>$2 \text{ percent} \times \text{years of service} \times \text{Average Final Compensation (AFC)} = \text{maximum benefit}$ (AFC = the highest annual average of your two highest school years.) If you choose to withdraw all or part of your annuity, and select a survivor payment option, your benefit will be reduced. See pages 9 - 10.</p>
Maximum Benefit	<p>60 percent of AFC.</p>
Contribution Rates	<p>Member contribution rate is 6 percent of earned compensation.</p>
Disability Retirement	<p>Temporary and permanent disability retirement benefits are available. See pages 13-14.</p>
Death in Service Survivor Benefit	<p>Death in service survivor benefits depend on the member's age at death and the amount of service credit earned. See pages 14-15.</p>
Cost of Living Adjustment	<p>TRS Plan 1 provides both optional and automatic COLA as well as gain sharing. See pages 12 -13.</p>

Plan 1

This handbook describes your retirement benefits under Plan 1 of the Washington State Teachers' Retirement System (TRS). The Plan is designed to be an important source of income that — along with Social Security benefits (if eligible), personal savings and other investments — will help pay your living expenses when you retire.

Highlights

Here is a brief summary of the Plan's provisions.

- The Plan provides for a retirement benefit at:
 - Any age, if you have at least 30 years of service credit,
 - Age 55 or older, if you have at least 25 years of service credit, or
 - Age 60 or older, if you have at least five years of service credit.
- The Plan provides temporary disability benefits, disability retirement benefits and survivor benefits if you meet the Plan's age and service requirements.
- You and your employer both contribute toward your future retirement benefits. Both employer and member contribution rates are adjusted periodically based on economic factors.

- You will remain a member of this Plan if you transfer to another public school or work for a state agency in Washington.
- You can withdraw your personal contributions only if you leave TRS-covered employment. You cannot borrow from your contributions, nor can you withdraw your employer's contributions. If you leave employment and withdraw your personal contributions prior to retirement, you lose your right to future benefits. You can restore your contributions and reestablish your benefits under certain circumstances.
- If you are a dual member, you may be able to combine service credit with that earned in other Washington State retirement systems in order to qualify for retirement.

Inform your employer of previous TRS membership

As a TRS Plan 1 member, it is important that your new employer knows of your membership, even if you withdrew your contributions. You should not have to complete another Enrollment Form for a TRS-covered position. If you have changed your name or wish to change your beneficiary, ask your personnel officer for a Name or Address Change form or a Beneficiary Designation form.

Summary Description

The actual rules governing your benefits are contained in state retirement laws. This handbook is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this handbook and what is contained in the law, the current law will govern.

Am I a member of the plan?

Who is a member?

You are a Plan 1 member if you established membership in TRS at any time before October 1, 1977. If you terminate your employment and withdraw your contributions, Plan 1 will be the plan you join if you ever reestablish membership in TRS.

For purposes of this Plan, “teacher” means any person who is qualified to teach and is employed by a public school in Washington as an instructor, administrator or supervisor. This includes:

- School district and educational service district superintendents and their assistants,
- State, school district and educational service district employees who are certificated by the Superintendent of Public Instruction, and
- Any full-time school doctor who is employed by a public school and who renders instructional or educational services.

Substitute teachers should request the publication, *The Substitute Teacher’s Guide to Obtaining Service Credit*, to determine their participation status. This is available from your employer or TRS and can be downloaded from the DRS Internet site. See page 20.

A minimum of 90 calendar days of service within a fiscal year (July 1 - June 30) is required to reestablish membership if you rejoin after:

- You withdraw your contributions, or
- You retire.

Membership exclusions

If you are already receiving retirement benefits from a public employer in Washington, and were not a member of this Plan before March 19, 1976, you may be prohibited from rejoining this Plan. If this applies to you, contact DRS. Information is also available in the brochure, *Thinking About Working After Retirement?*, which may be obtained from your employer or DRS. This publication is available on the DRS Internet site. See page 20.

Who pays for my benefits?

Your future benefits are funded by contributions — made by you and your employer during your period of membership — and the investment earnings from those contributions. These contributions are held in trust and invested by the State Investment Board. TRS Plan 1 is a defined benefit plan structured under Section 401(a) of the Internal Revenue Code. This means that at retirement you will receive a benefit based on your service credit and final average salary.

Your contributions

You are required to contribute six percent of your “earnable compensation” to TRS. This rate is set by law, and may be changed as necessary to reflect the cost of the Plan.

“Earnable compensation” means all salaries and wages paid by an employer to a member for services rendered during the fiscal year. This includes:

- Pay for additional duties,
- Some forms of severance pay, lump sum payments for accrued leave (except sick leave), and

- Tax-deferred wages, such as TRS contributions.

Contributions are required from all members employed for 20 or more days during a fiscal year. If you are regularly employed, your contributions are deducted from your paycheck each pay period before federal income taxes are withheld. Prior to September 1984, contributions were deducted after taxes.

Substitute teachers have the option to join TRS and pay contributions at the end of the school year. For more information, see the publication, *The Substitute Teacher's Guide to Obtaining Service Credit*. (Also available on the DRS Internet site.)

Your contributions are credited to your annuity fund account. This account, with accrued interest, provides the annuity portion of your retirement benefit. Under some circumstances, the balance of this account may be paid to you separately from your other benefits.

Withdrawal of contributions

If your TRS-covered employment ends, you may request a withdrawal of your contributions, plus interest. Employer contributions are not refundable. For more information, see "Withdrawing Your Contributions" on page 6, or refer to the DRS publication, *Withdrawal of Retirement Contributions*. This publication is also on the DRS Internet site. See page 20 for Internet site information.

How is my service counted?

Service credit

The amount of your retirement benefit depends upon your time in service and your earnable compensation. "Service credit" is based on the number of days of compensated employment reported by your employer for each fiscal year (July 1 through June 30).

You earn a full year of service credit if you receive compensation for at least four-fifths — 144 fulltime days — of the 180-day school year, provided that contributions have been made to TRS. You may earn a fractional year's service credit for working less than four-fifths of a fiscal year. No service credit will be granted for less than 20 days of service within a fiscal year.

EXAMPLE:

Calculating service credit

Suppose you taught full time from September 1977 until June 2001 — a 24 year period. During the 2001-2002 fiscal year you taught a total of 60 days. Sixty days is 33 percent of a full 180-day fiscal year. At the end of the 2001-2002 term, you have a total of 24.33 years of service credit.

Claiming credit for substitute teaching

If you work as a substitute teacher, your employer(s) will advise you quarterly of the amount of service performed. To receive credit for your service, you must apply for it after June 30. For information about this procedure, ask your employer or TRS for a copy of the publication, *The Substitute Teacher's Guide to Obtaining Service Credit*. (Also available on the DRS Internet site.) For site information see page 20.

Service credit from another retirement system

You may be able to combine your TRS service credit with credit earned in other Washington State retirement systems in order to qualify for retirement. For more information, see “What if I’ve previously been a member of another retirement system?” on page 7.

Other creditable service

You may also earn service credit for:

- Up to two years of approved professional preparation following Washington State public school teaching.
- Up to five years of active service in the United States military if it interrupted your Washington State public school service. If the military service occurred in time of war, you can receive credit for more than five years.

What if I leave my job?

Leaving your current, TRS position before you retire will have an impact on your benefits. The nature of the impact depends on your new employer and whether you withdraw your contributions from TRS.

Withdrawing your contributions

If you leave TRS-covered employment, you may withdraw the contributions you made to TRS. Withdrawal of contributions cancels all rights and benefits you may have accrued in TRS.

Withdrawal forms are included in the DRS publication, *Withdrawal of Retirement Contributions*, which is available through your employer or DRS. You can also download this publication and appropriate forms from the DRS Internet site. Processing a withdrawal normally requires 60 to 90 days. You are not eligible to receive a withdrawal if you resume employment

with a covered employer before payment is made. If you receive a refund under these circumstances, you must return it to the Department of Retirement Systems immediately.

Tax implications of withdrawing your contributions

Under federal law, any lump-sum withdrawal of tax-deferred retirement funds is subject to a withholding tax of 20 percent. The 20 percent withholding requirement can be avoided only by a “direct rollover” of funds to a qualified tax-deferred retirement account. You can find more about this requirement by reading *Withdrawal of Retirement Contributions*, a publication which is available through your employer or DRS and is also available on the DRS Internet site (page 20).

Federal tax law may require that you pay a 10 percent penalty, in addition to regular income tax, on the tax-deferred and interest portions of contributions that you withdraw before you reach age 59½. You may be able to avoid the tax penalty by rolling these funds into a qualified tax-deferred retirement account.

DRS is required to report all withdrawals to the Internal Revenue Service (IRS). It is your responsibility to account for the withdrawal on your tax return. For more information on the tax consequences of withdrawing your contributions, contact the IRS or your tax advisor.

Leaving your contributions in the plan

You have the option of leaving your contributions in the Plan. At present your contributions are earning 5.5 percent interest annually, compounded quarterly. If you leave your contributions in the Plan and later return to a TRS-covered position, you retain service credit for the earlier service. If you leave a TRS-covered position and leave your contributions in the Plan, keep TRS informed of your current name, address and beneficiary.

Washington State public schools

If your next job is in a covered position with another public school in Washington State, your membership and service credit will continue.

Employment with a state agency

If you do not withdraw your contributions and your next job is with a State agency or a public school in a position normally covered by the Washington State Public Employees' Retirement System (PERS), you will remain in TRS.

If you withdraw your TRS Plan 1 contributions and then go to work in a state agency, you will be reported as a PERS member. As a dual member, you will be entitled to restore your withdrawn TRS contributions within two years of going to work with the agency. (See "Dual membership" below.) Upon restoration of your withdrawn contributions, plus interest, you will return to TRS Plan 1 membership and earn TRS Plan 1 service credit from that time forward. Time spent as a PERS member will remain as PERS service credit.

What if I've previously been a member of another retirement system?**Dual membership**

If job changes have caused you to establish membership in more than one retirement system, you may be qualified to be a dual member. You may qualify even if your membership in another system has been terminated.

A dual member is one who:

- Is currently an active member of TRS, Public Employees' Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2, the Washington State Patrol Retirement System

(WSPRS), or the city retirement system for Tacoma, Seattle, or Spokane, and

- Was previously a member of one or more of the systems listed above or of the Statewide City Employees' Retirement System (SCERS), in addition to the system where he or she is currently a member, and
- Has never been retired from service and is not currently receiving a disability retirement benefit from any public retirement system in the state of Washington.

Service credit for dual members

Dual members may combine service credit from qualified systems to become eligible for retirement.

EXAMPLE:

Combined service credit

Suppose you are 53 years old and have 20 years of TRS Plan 1 service credit. If you also have 10 years of service credit in PERS Plan 1, you have a total of 30 years' service credit – enough to retire immediately under the rules of either system.

The provisions of each plan determine the amount of your benefit from each plan and when each benefit can begin. If you are a dual member of two plan 1 systems, and your combined service credit exceeds 30 years, benefit reductions will be made to comply with retirement law regarding the maximum benefit amount.

Dual members may have the option of restoring service credit in the other system(s). (See "Restorations for Dual Members" on page 8.) They may also choose between two definitions of compensation when calculating their average final compensation. See "Calculating benefits for dual members" on page 10.

Can I reestablish service credit for past service?

You may reestablish service credit for earlier periods of employment, even though you may have withdrawn your contributions and terminated your membership for that period. You may also establish service credit for time in out-of-state teaching service, U.S. military service, and mid-career professional preparation. More information for establishing service credit for time spent in these endeavors can be found below under “Establishing other creditable service.”

Restoring TRS service credit

To restore service credit for a period of employment for which you've withdrawn your contributions, you must begin repaying the amount withdrawn plus interest by June 30 of the fifth school year following your return to membership, or by retirement, whichever comes first. See “Payment schedule.”

Establishing other creditable service

To establish service credit for a period in which contributions were not made, you must submit proof of service and complete payment of the required amount (contributions plus interest) by June 30 of the fifth school year following return to membership, or by retirement, whichever comes first.

If you establish service credit for out-of-state service, and then withdraw your contributions, you may not reestablish that service credit.

Payment schedule

Payments may be made in a lump sum or in installments. The first installment must be at least 20 percent of the amount due, and the final payment must be made by June 30 of the

fourth school year following the school year in which the first payment was made, or before retirement, whichever comes first. All payments must be completed by the statutory deadline. Partial restorations are not allowed. This payment schedule does not apply to restoring dual membership service credit.

Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than TRS, you must repay the amount withdrawn, plus interest, within two years of first becoming a dual member or before you retire, whichever comes first. To determine how much you owe in order to restore service credit, write to DRS. The address for DRS is listed on page 19.

Include the following information in your letter:

- Your name, Social Security Number, address and daytime phone number,
- The system(s) in which you want to restore service credit,
- The approximate dates of each withdrawal and the periods of employment each represents, and
- The name(s) of the employer(s).

To complete restoration under this provision, full payment must be made by the statutory deadline.

The provisions governing dual membership do not permit you to:

- Partially restore any single withdrawal, or
- Restore contributions and reestablish service credit in a system in which you are currently a member unless you are otherwise entitled.

Purchasing service credit

It is still possible to purchase withdrawn and some optional service credit after the statutory

deadline. The cost for purchasing service credit after the deadline date is considerably more expensive. You can learn more about purchase of service credit by obtaining the DRS brochure, *Can I Recover Withdrawn or Optional Service Credit?* Publications are available from DRS, your employer, or the DRS Internet site. See page 20.

Out-of-state teaching service

Vested TRS members may use service credit earned in a public teachers' retirement system in another state to qualify for retirement. Out-of-state service is not used in your benefit calculation. It affects only your retirement date. If you use out-of-state credit to move up your retirement date, your benefit will be actuarially reduced to reflect the earlier retirement date. Contact DRS for an information packet on out-of-state service credit.

Using sick leave to qualify for retirement

You may use up to 45 days of unused sick leave to help you qualify for retirement. Sick leave not cashed out by your employer may be converted to a maximum of .25 years of service credit. This service credit is not used in the calculation of your benefit. It can only be used to qualify for retirement.

What is my service retirement benefit?

Eligibility

The amount of your service retirement benefit depends on your average final compensation and years of service credit when you retire. You are eligible to retire if you:

- Have at least 30 service credit years regardless of age,
- Are at least age 55 and have at least 25 service credit years, or

- Are age 60 or older and have at least five service credit years.

Benefit formula

Your monthly retirement benefit is the sum of:

- Your pension, which is funded by the State and supplemented by contributions from your employer, and
- Your annuity, which is equivalent in value to your contributions and the interest. When you receive an annuity, you get a series of monthly benefit payments that last as long as you live instead of a lump sum of cash.

Changing your annuity

When you retire, you may withdraw all or part of your contributions and interest. This will reduce or eliminate the annuity you could buy, resulting in a lower monthly benefit check overall. Any part of the withdrawn amount that was tax-deferred when contributed, plus all interest, is subject to a 20 percent withholding tax. You can avoid the withholding tax by transferring the tax-deferred annuity directly into a qualified tax-deferred retirement account.

When you apply for retirement, you can increase your monthly benefit payment by making a one-time lump-sum payment to your annuity fund to purchase a larger annuity. You may roll over funds from another tax-deferred retirement account into TRS. You can purchase an amount up to the value of your existing annuity. Contact TRS for more information.

Calculating your benefit

If you do not withdraw any of your contributions, the overall amount of your "maximum monthly retirement benefit" is calculated using the formula on page 10:

TRS Plan1 Benefit Formula

$$\begin{array}{r}
 2 \text{ percent} \\
 \times \\
 \text{service credit years (max. of 30 years)} \\
 \times \\
 \text{average final compensation (AFC)} \\
 \div \\
 12 \text{ months}
 \end{array}$$

To determine your average final compensation, add the earnable compensation for your two consecutive highest-paid fiscal years (July 1 - June 30), and then divide by two.

Though other formulas have been used in the past, the formula shown above generally yields a higher benefit. Your benefit will be calculated using the formula that pays you the higher benefit.

EXAMPLE:

BENEFIT CALCULATION

Suppose you retire at age 55 with 29 years of service credit and an average final compensation of \$50,000. If you do not withdraw any of your contributions and interest (the annuity portion of your benefits), your monthly retirement benefit will be \$2,416.66. It is calculated as follows:

$$\begin{array}{r}
 2\% \times 29 \text{ years} \times \$50,000 \div 12 \text{ months} \\
 2\% \times 29 \text{ years} \qquad \qquad = \qquad \qquad .58 \\
 .58 \times \$50,000 \qquad \qquad = \qquad \qquad \$29,000 \\
 \$29,000 \div 12 \text{ months} \qquad = \qquad \qquad \$ 2,416.67
 \end{array}$$

Effect of withdrawing contributions.

Your benefit changes if you withdraw your contributions and interest. For instance, if your contributions and interest equal \$100,000 at retirement, and you withdraw the full amount, your monthly benefit will be \$1,667 – about \$749.39 less than the maximum benefit.

Calculating benefits for dual members

The service retirement benefit for dual members is the sum of the benefits they have earned separately from each system. Dual members with a total of five or more years' service credit from all systems are entitled to a benefit from each system, even if they have less than five years of service credit in any of the systems.

In determining average final compensation, dual members may choose whether to use:

- Compensation from each system (as defined in that system) to determine that system's benefit, or
- The highest base salary from any system, whichever produces the better benefit.

Base salary is the salary or wages you earned, excluding overtime, lump-sum cashouts, severance pay and bonuses.

EXAMPLE:

DUAL MEMBER BENEFITS

Suppose you are 60 years old and have four years of service credit from PERS Plan 1 and 16 years of service credit from TRS Plan 1. Without dual membership, your PERS service would be too short to provide a PERS benefit. With your TRS service, however, you have more than the five-year minimum needed for vesting. You will receive a benefit from each plan, calculated according to the rules of each system as follows:

PERS Plan 1:

$$\begin{array}{r}
 2\% \times 4 \text{ years' PERS service credit} \\
 \times \text{ average final compensation} \div 12 \text{ months} \\
 = \text{ PERS benefit}
 \end{array}$$

TRS Plan 1:

$$\begin{array}{r}
 2\% \times 16 \text{ years' TRS service credit} \\
 \times \text{ average final compensation} \div 12 \text{ months} \\
 = \text{ TRS benefit}
 \end{array}$$

What are my benefit options?

When you apply for a service or disability retirement, you must select a benefit option. If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. Consent must be in writing and must be notarized. **If consent is not provided, law requires that an Option 3 benefit be paid with your spouse as beneficiary.** Retirement applications contain the spousal consent authorization.

Maximum retirement benefit option

This option provides the highest possible monthly benefit, which is payable for your lifetime. If you die before you receive the value of your accumulated contributions, any remaining balance of your contributions will be retained in the fund. Your beneficiary receives only the unpaid final monthly benefit due on the date of your death. This option is slightly different for disability retirees. See page 13.

OPTION 1

Standard option

This option pays you a reduced benefit for your lifetime. When you die, the final unpaid monthly benefit due at the time of your death and any remaining balance from your contributions are paid in a lump sum to your beneficiary. This option is **not** available to disability retirees, or those who withdraw all their contributions.

OPTION 2

Joint and 100 percent survivorship

Under this option, you receive a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

OPTION 3

Joint and 50 percent survivorship

This option also provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 50 percent of your benefit amount is paid to your beneficiary for his or her lifetime.

OPTION 4

Joint and 66.67 percent survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 66.67 percent of your benefit amount is paid to your beneficiary for his or her lifetime.

Changing a benefit option after retirement

Once you retire you may change your benefit option and beneficiary only by returning to active membership, **except in the following circumstances:**

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit will be adjusted to the maximum benefit level. If your beneficiary dies, be sure to notify DRS.
- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to the Maximum Benefit Option any time after retirement. This option can be used only once and is irrevocable.
- If you retire under the Maximum or Option 1 benefit, then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change within one year of the anniversary of your first year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. This option can be used only one time and is irrevocable.

Lump sum instead of a monthly benefit

If your monthly benefit will be less than \$50, you may choose to take a lump sum payment. The lump sum is determined by comparing the projected value of your lifetime benefit to the total of your contributions, plus interest. The greater amount will be paid to you. The recipient of such a payment is considered retired from TRS. Only members who retire as dual members are likely to receive this payment.

Can my benefit increase after I retire?

Cost of living adjustments (COLA)

Once you have been retired at least one year and are age 66 or older, you qualify to receive the Uniform COLA. The size of your benefit increase will be based on the total service credit you accumulate as a TRS member.

Once you have qualified for the Uniform COLA, you receive your first benefit increase in July following your 66th birthday. Your benefit will be increased each July thereafter. If you have chosen a survivor option (see page 11) and you die, your beneficiary will receive the COLA in July following his or her 66th birthday, provided that it has been at least one year since you retired.

The Uniform COLA is calculated by multiplying your years of service times the COLA amount. In 2002, the COLA amount was \$1.14. The amount increases by approximately 3 percent each July 1.

If you elect the Cost-of-Living Option at retirement (see page 13), you will receive that COLA each July after being retired one year regardless of age, and will receive the Uniform Cola upon reaching age 66.

Gain sharing

To qualify for gain sharing you must first qualify

for the Uniform COLA. When earnings for the state retirement fund average more than 10 percent over a four-year period, the portion over 10 percent is declared "extraordinary gains." One-half of the extraordinary gains is used to increase retirement benefits. The four-year average is measured every two years, and if there are extraordinary gains, gain sharing benefits will be paid in January of even years. The base amount for the gain sharing benefit is computed by the State Actuary. The gain sharing amount is paid for each year of service credit earned. The gain sharing amount is added to the Uniform COLA base amount and used in the COLA calculation in July.

EXAMPLE:

Uniform Cola and Gain Sharing

Suppose you retired in April 1998 at age 65. You had 20 years of service credit and received a benefit of \$1,200 per month. In July 1999, you were age 66 and retired for over one year, therefore, eligible to receive the Uniform COLA. Your 1999 COLA would be computed by multiplying service credit years times the COLA amount (77¢ in 1999). Because you have qualified for the Uniform COLA you also qualify for gain sharing. Gain sharing is paid in January of even years and is added to the COLA amount for future COLA calculations. In 2000, there was a 28¢ base for gain-sharing, it was paid in January and added to the COLA base amount prior to the 3 percent Uniform COLA calculation in July.

1998 Benefit = \$1,200 a month
 1999 COLA = 20 years x 77¢ = \$15.40
 1999 Benefit = \$1,215.40 a month
 2000 Gain sharing is 28¢ (28¢ x 20 = \$5.60)
 January-June benefit = \$1221.00
 2000 COLA = 20 years x \$1.08 = \$21.60
 2000 Benefit = \$1242.60
 2001 COLA = 20 years x \$1.11 = \$22.20
 2001 benefit = \$1264.80
 2002 -- insufficient gains, no gainsharing

2002 COLA = 20 years x \$1.14 = 22.80
 2002 benefit = \$1287.60

The COLA amount will continue to increase by 3 percent annually as long as you or your beneficiary receives a benefit. Gain-sharing, if it occurs, will be applied in even years.

Cost of living option

When applying for retirement, you may elect to receive a cost-of-living adjustment (COLA). The COLA is up to 3 percent per year, as measured by the Consumer Price Index of Seattle, and takes effect in July after you have been retired for one full year. To offset the cost of this annual adjustment, your benefit is actuarially reduced.

Can I obtain a refund of contributions paid after 30 years of service?

If you attain 30 service credit years, you can make a one-time, irrevocable election to participate in a program in which post 30-year contributions are refunded at retirement. Program participants earn 7.5 percent interest on their post 30-year contributions. If you participate in the program, your monthly retirement benefits will be based on earnings made prior to the date DRS received notice of your election to participate. Election to participate is irrevocable and must be made within six months after earning 30 service credit years. This law was enacted on July 25, 1999, and is not retroactive.

In the months prior to your 30th service credit year DRS will contact you and provide information to help you make an informed decision. To learn more about the Post 30-Year Program visit the DRS Internet site, or obtain a copy of the DRS brochure, *How Does Working Beyond 30 Years Affect My Benefit?* See page 20.

What if I become disabled?

Plan 1 provides two types of disability benefits:

- Temporary disability benefits, payable for up to two years of continuous disability, and
- Disability retirement benefits, payable if you have at least five years of service credit.

Temporary disability benefits

Eligibility. To be eligible for benefits, you must be:

- A member employed full time by a Washington public school at the time the disability occurs,
- Mentally or physically incapacitated for the performance of duty for at least 60 consecutive calendar days from the date of disablement, and
- A member and employed by a public school when applying for and receiving temporary disability benefits.

For more information about eligibility requirements, see the brochure, *TRS Disability Benefits*, available from TRS or your employer. This publication is available on the DRS Internet site. See page 20.

Benefits. Temporary disability benefits are \$180 per month for up to two years for a single disability. The first payment is retroactive to the effective date of the disability. Benefits are not paid for periods of disability shorter than 60 consecutive calendar days, or for periods following separation from employment.

You may apply for benefits after you have been disabled for 60 consecutive calendar days. Applications must be filed no later than four years

from the date of disability. The application can be made by you, your employer or by the legal representative (estate) of a deceased member who was eligible for benefits within the time limits.

A doctor's report is required with the application. TRS may periodically also require additional doctor's reports. Application forms and medical report forms are available from DRS.

Disability retirement benefits

Eligibility. To be eligible for disability retirement benefits, you must:

- Be permanently disabled for the performance of your duties while employed under an annual contract as a contributing member of TRS,
- Have five or more years of service credit, and
- End your public school service. (Members are advised to apply for disability retirement and establish eligibility prior to separating from employment.)

If you qualify for a service retirement, your benefit will be processed according to those provisions, rather than as a disability retirement.

Benefit formula. A disability retirement benefit is calculated the same as a service retirement. Members with at least five years of service credit also have survivor benefit options. These options are the same as those described on page 11, with one exception: If you choose the maximum retirement benefit and then die before receiving annuity payments equal to the value of your accumulated contributions, the balance of your contributions will be paid to your beneficiary or estate. **If your disability is terminal, you are encouraged to discuss survivor benefits with a TRS counselor.**

Disability withdrawal of contributions

A disabled member who has terminated

employment has the option of withdrawing his or her contributions plus interest, and terminating membership in the Plan. This would cancel all rights and eligibility for future benefit payments.

Termination of benefits

A member retired for disability may be required to undergo a medical examination at any time. If the examination shows that the member is no longer disabled for the performance of public school service, the disability retirement benefit may be terminated. If that happens, full membership in TRS will be restored.

For more information about your disability benefits, see the brochure, *TRS Disability Benefits*. You can obtain this publication from DRS, your employer, or the DRS Internet site. See page 20.

What benefits do my survivors receive?

If you die after retirement

If you die after you begin a service or disability retirement, your survivors receive benefits according to the retirement option you choose.

If you die before retirement

Benefits paid to survivors of a member who dies while employed or while receiving temporary disability benefits depend on the member's age and service credit at the time of death. These benefits are also payable to survivors of members who left TRS-covered employment but did not withdraw their contributions.

Fewer than 10 years of service and ineligible to retire

If you die before earning 10 years of service credit and before becoming eligible for retirement, your beneficiary receives your contributions and interest earnings.

Ten or more years of service or eligible to retire

If you die after earning 10 years of service credit or after becoming eligible to retire, your survivors may choose between:

- A monthly benefit calculated as if you had elected Option 2 (see page 11), and actuarially reduced to reflect your age at the time of death (available only to a spouse or IRS-qualified dependents), or
- A refund of your contributions, plus interest.

Surviving spouse benefits continue for the life of the spouse. Dependent survivor benefits continue as long as proof of dependency is maintained or until the dependent(s) reaches the age of majority. At that point, any remaining member contributions will be paid in a lump sum to the beneficiary.

If you have no surviving spouse or IRS-qualified dependents, your remaining contributions will be paid in a lump sum to your designated beneficiary.

Lump sum death benefit

An additional, one-time benefit may also be payable to your beneficiary. Your beneficiary will receive \$600 if you die while employed full-time in a TRS position or when eligible to receive temporary disability benefits. Your beneficiary will receive \$400 if you die after ending TRS-covered employment with at least ten years of service credit or if you were eligible to retire.

Designating a beneficiary

As an active member, you should keep your beneficiary designation in your TRS record up-to-date. If you marry or divorce, you should file a new beneficiary designation form, even if your beneficiary remains the same. If you fail to file a beneficiary designation form, DRS automatically pays your surviving spouse or, if none, your estate.

To change your beneficiary, you must submit a beneficiary designation form to DRS. Forms for this purpose are available from your payroll department or DRS.

At retirement, if you choose either the Maximum Benefit Option or the Option 1, you may name a trust, your estate, an organization, or a person as your beneficiary. However, if you choose a survivor benefit option at retirement, you must select a person as your beneficiary.

Once you retire you may change your benefit option and beneficiary only by returning to active membership, **except in the following circumstances:**

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit will be adjusted to the maximum benefit level. If your beneficiary dies before you, be sure to notify DRS.
- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to the Maximum Benefit Option at any time after retirement. This option can be used only one time and is irrevocable.
- If you retire under the Maximum or Option 1 Benefit, then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change within one year of the anniversary of your first year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. This option can be used only one time and is irrevocable.

What if I work after retirement?

Your benefits may be affected if you work for a TRS-covered employer after retirement. Under state law, a TRS-covered employer is required to report your hours to DRS. In most cases, you can work up to 1500 hours in a school year (July-June) before your retirement benefit is suspended.

When you apply for retirement you will receive the brochure, *Thinking About Working After Retirement?* in your retirement application packet. The brochure will inform you of the rules regarding post-retirement employment. If you are unsure, please call TRS before you return to work. You can also obtain a copy of *Thinking About Working After Retirement?* by contacting DRS or by referring to the DRS Internet home page. (See page 20.)

Taxation and assignment of benefits

Federal income taxes

Most of your retirement benefit is subject to federal income tax. The only portion that is exempt from tax is the part that was taxed before it was contributed. Since September 1, 1984, your contributions that were made through payroll deductions were not taxed.

After you retire, DRS will notify you of any of your contributions that have already been taxed. The IRS refers to this taxed amount as your "cost."

You must complete a W-4P form to tell DRS how much of your monthly benefit should be withheld for taxes. If you do not, DRS will follow IRS rules requiring withholding as if you are married and claiming three exemptions. It is your responsibility to declare the proper amount of taxable income on your income tax return.

Assignment and attachment of benefits

Retirement benefits are not generally subject to assignment or attachment or the operation of bankruptcy or insolvency laws. However, payments received by you in the form of retirement benefits or as a refund of your contributions may be subject to payment of court and administrative orders for spousal maintenance and child support, or payment of any orders authorized by federal law.

DRS is authorized to divide pensions between members and ex-spouses based upon court-ordered property division. If the divorce decree complies with the applicable law, TRS will send the property division payment directly to the ex-spouse. For more information, refer to the DRS brochure, *Can My Retirement Money Be Attached?*, available from DRS or your employer. This brochure is also on the DRS Internet site. For site information see page 20.

Why does DRS need my Social Security Number?

DRS requests that you provide your Social Security Number when you are conducting business with the agency. Internal Revenue Code Sections 6041 (A), and 6109 authorize DRS to solicit your Social Security Number.

- The disclosure of your Social Security Number to DRS is mandatory.
- DRS will use your Social Security Number to ensure that any amounts disbursed under your account are properly reported to the Internal Revenue Service and as a reference number for tracking all data with regard to your retirement account.
- DRS will not disclose your Social Security Number to any party unless required by law.

When should I start planning for retirement?

Planning for retirement is an on-going process. The sooner you start the more likely you are to enjoy a comfortable and successful retirement. Here are some simple things you can do to help build your retirement plan:

- As soon as possible, attend one of DRS' Retirement Planning Seminars. These full-day sessions feature qualified speakers on a number of retirement subjects and are free of charge. The dates and locations for these seminars are announced in the member newsletter, *Retirement Outlook*, and on the DRS Internet site (<http://www.wa.gov/DRS/drs.htm>).
- If military service interrupts your teaching career, submit a copy of your DD214 to DRS to determine if your active service is creditable. See page 6.
- Calculate your future retirement benefit using the Benefit Estimator on the DRS Web site (<http://www.wa.gov/drs/estimate-unix/index.htm>). You can run a variety of retirement scenarios to see what works best for you.
- Because there are statutory time limits on restoring contributions withdrawn from your state pension, obtain a copy of the DRS brochure, *Can I Recover Withdrawn or Optional Service Credit?* or access the publication on the DRS Internet site (<http://www.wa.gov/drs/member/pers/prest.htm>), and review the rules that apply to your situation.

As you get closer to retirement

Consider the following:

- Contact the Social Security office periodically to review your file's accuracy. The toll-free telephone number for Social

Security information is 1-800-772-1213. You can also obtain valuable information about Social Security and Medicare by visiting the Social Security Internet Page (<http://www.ssa.gov>).

- Obtain a copy of Internal Revenue Service Publication 575, Pensions and Annuities, also available on the Internet (http://www.irs.gov/forms_pubs/pubs.html).
- If you are within a year of your retirement date, request an estimate of your benefit from DRS. DRS will return a retirement application with your estimate.

Applying for retirement

You can complete the entire retirement process via the mail. See DRS contact information on page 19. If you prefer to visit DRS to review your account information and retirement options, Retirement Services Analysts are available to assist you. Please call for an appointment.

If you write to DRS for specific information about your pension account, be sure to provide your Social Security Number and signature.

Administrative information

Payment of retirement benefits

If you retire from active TRS employment or you are eligible to retire when you separate from service, and

- You worked 144 fulltime days or more in the fiscal year, your benefit begins to accrue on July 1.
- You worked less than 144 fulltime days in the fiscal year, your benefit begins to accrue the first day of the month following the month in which you terminated all employment with your TRS-covered employer.

If you were **not eligible to retire** when you separated from TRS employment, your benefit begins to accrue on the date you become eligible for retirement.

Your benefit is paid at the end of each month and, in most cases, can be deposited directly in your bank or credit union account.

Keep DRS informed of your mailing address

After you retire, it is important that you keep DRS informed of your current mailing address, even if you have your check deposited directly in your bank or credit union account. This way you can be assured of receiving information about your benefits and income taxes in a timely manner.

Administration of the system

The Teachers' Retirement System is administered by the Department of Retirement Systems. The Director of DRS is appointed by the Governor.

Benefit adjustments

If you receive an overpayment of your retirement benefit or withdrawal, DRS will require that

the overpayment be repaid. If there is an underpayment, DRS will correct the error and pay you in full.

Petitions and appeals

Under DRS' internal review procedures, all "appeals" begin as "petitions." You may challenge a decision of a Department administrator by filing a petition within 120 days of your receipt of the decision. A petition will be reviewed by the DRS' Petition Examiner.

To file a petition, complete and submit a detailed statement of:

- The relief you are requesting;
- The facts relating to your petition, including any relevant documents or sworn statements which support your request for relief;
- The legal basis for your petition, including any relevant legal provisions or precedents;
- The name and address of your legal counsel, if you choose to be represented; and
- Your name, address, Social Security Number, and signature.

The Petition Examiner will ask for relevant information from the involved parties. Usually this means you, DRS itself, and possibly your employer. After review, the Petition Examiner will enter a written decision and mail that decision to you by certified mail.

If you are not satisfied with the petition decision, you may file an appeal within 60 days of receipt of the decision. Included with your petition decision will be information describing how to file an appeal. An appeal will be heard by either the DRS' Presiding Officer or an Administrative Law Judge.

Where can I find more information?

For more information about your rights and benefits under this Plan, write to:

Department of Retirement Systems
Teachers' Retirement System
PO Box 48380
Olympia, Washington 98504-8380

Be sure to include your Social Security Number to allow identification of your account. If your question is complex, provide as much detail as possible.

An individual conference with a TRS counselor can also be arranged by calling our toll-free number: 1-800-547-6657. Olympia area callers use (360) 664-7000. Office hours are 8 a.m. to 5 p.m., Monday through Friday, except legal holidays.

Other DRS publications for TRS members

The following DRS publications can be obtained from your employer or by calling DRS. All TRS publications are available on the DRS Internet site. <http://www.wa.gov/drs/drs.htm>

- *TRS Disability Benefits*
- *Thinking About Working After Retirement?*
- *The Substitute Teacher's Guide to Obtaining Service Credit*
- *Can My Retirement Money Be Attached?*
- *Can I Recover Withdrawn or Optional Service?*
- *Withdrawal of Retirement Contributions*
- *What Is Dual Membership and How Does It Affect Me?*

- *Does Working Beyond 30 Years Affect My Benefit?*
- *TRS Military Service Credit*

DRS telephone listing

Teachers' Retirement System

TDD Line (for hearing impaired) ... (360) 586-5450
Toll Free TDD Number 1-866-377-8895
Central Reception..... 1-800-547-6657
Olympia area callers..... (360) 664-7000

The receptionist will transfer you to an employee who can provide assistance in areas such as:

- Benefit estimates
- Counseling appointments
- Retirement benefit estimates
- Final application for retirement
- Eligibility for membership
- Refunds (withdrawal of contributions)
- Restoration costs for withdrawn contributions
- Divorce settlements

Other DRS-administered retirement systems.

- Public Employees' (PERS)
- School Employees' (SERS)
- Law Enforcement Officers' and Fire Fighters' (LEOFF)
- State Patrol Retirement System (WSPRS)
- Judicial Retirement System
- Judges' Retirement Fund

Does DRS have an Internet site?

DRS maintains an Internet site that includes the most recent edition of this handbook and all other member publications for TRS and the other DRS-administered systems.

Also on the site:

- Recent issues of the member newsletter, *Retirement Outlook*,
- Information about recent retirement-related legislation,
- A benefit estimator that you can use for retirement planning purposes, and
- A variety of other information of interest to retirement system members and public employers in Washington State.

The address for the DRS site is:

<http://www.wa.gov/DRS/drs.htm>

You can contact DRS using e-mail

You can use e-mail to request specific information about your retirement system and plan, or your personal retirement account. When requesting information about your personal account, be sure to provide:

- Your name,
- Social Security Number,
- Retirement system and plan, and
- Daytime phone number.

Warning: Electronic mail messages on the Internet may not be secure. Your message may not be confidential; it may be possible for other people to read your e-mail message.

Ask questions via e-mail: *recep@drs.wa.gov*

For information about obtaining a copy of this publication in an alternate format, contact DRS Publications at (800) 547-6657, extension 47278. From the Olympia area, call (360) 664-7278.